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Education Committee
January 29, 2008

[LB973 LB1013]

The Committee on Education met at 1:30 p.m. on Tuesday, January 29, 2008, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1013 and LB973. Senators present: Ron Raikes, Chairperson; Gail Kopplin, Vice Chairperson; Greg Adams; Brad Ashford; Bill Avery; Carroll Burling; and Gwen Howard. Senators absent: Joel Johnson. []

SENATOR RAIKES: Good afternoon. Welcome to this hearing of the Education Committee of the Nebraska Legislature. We're pleased you could be here. This afternoon we'll have hearings on two bills, first LB1013 by Senator Gay and then LB973. I'll begin by introducing our committee, which to my far right will be Senator Brad Ashford from Omaha; next to him Senator Gwen Howard from Omaha; Senator Carroll Burling from Kenesaw; this is Matt Blomstedt, the committee's research assistant; I am Ron Raikes, District 25. To my left is our committee Vice Chair, Senator Gail Kopplin from Gretna; next to him is Senator Greg Adams from York. Senator Joel Johnson is I think recovering from back surgery, but hopefully will be back soon. Senator Bill Avery doesn't have as good an excuse, he's not here yet but he probably will show up, and to the far left there is Kris Valentin, our committee's clerk. So our procedure very quickly again, when you come to testify please state your name, spell your last name. There is a new committee policy this year, which I forgot to mention yesterday. We do not allow proponent testimony, so that will explain...(laughter)...so please proponent, opponent, neutral... []

SENATOR ADAMS: If it's your bill it doesn't save us any time (laughter). []

SENATOR RAIKES: Oh, that was ugly (laughter). []

SENATOR AVERY: But true. []

SENATOR RAIKES: So please address your cell phone issues, and with that, I think we're ready to begin and Senator Gay is present so welcome, Senator Gay. []

SENATOR GAY: Thank you, Senator Raikes. Good afternoon Senator Raikes and members of the Education Committee. For the record my name is Tim Gay, I represent the 14th District in Papillion. I'm here today to introduce LB1013, the Higher Education Academic Scholarship Program Act--and I'm going to get into a few of the statistics here and all those things--but I just wanted to tell you really how this came about. Many times I've been talking to parents and in my district, and as a parent myself, I've looked at some of the opportunities as their children are doing very well in school, I found that many of our students are leaving the state to go to other institutions. So I kind of have been thinking about it through the past year, and this year I wanted to introduce this bill because I think it's very important as far as losing some of our best and brightest from

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the state. And this issue is an issue that we've been addressing in other ways through taxes and as we give to businesses and this and that to attract new businesses, we're giving incentives away to keep new businesses or retain our existing businesses, we're passing incentives. What I looked at is all these incentives will do no good if we don't have a workforce to do the work once we get the businesses in here. So when I looked at that, I figured we're letting some of our best and brightest leave the state, and I'll get into that in a little bit. So not only are we allowing those students to leave, they aren't coming back in many cases. And when they do leave, there are web sites set up to attract them and bring them back to the state. But once they leave, it's much harder to bring them back into our workforce. So this bill I think would help alleviate some of that problem. Many of these parents who..., parents or not, if you're doing very well and you finish in the top 5 percent of ACT takers in the state, the bill would allow a \$2,000 scholarship to be used to any Nebraska institution of higher education in the state. So although that may not seem like a lot when you look at the whole cost of a college education, I think what that does is it sends a message to the parents and to the students: We appreciate all your work up to this point and we want to help keep you in the state and help you with your education. But like I say, the \$2,000 would be given in the first year, and if you maintain a 3.5 GPA throughout your college education, you'd get to keep the \$2,000 each year, and the way we envision it is in many different ways. When we were putting together this bill, in the bill the scholarship program would be administered by the Coordinating Commission for Postsecondary Education. I would like to thank the commission for their work and reviewing this legislation and suggestions that made it workable. Where we came up with some of the ideas...and I know there have been many of these over the past that have been out there, but we looked into a bright-flight program down in Missouri that was passed down there, and kind of started saying, well, what can work here in Nebraska? So that's what we came up with. Just a few highlights, again, it would be any Nebraska student scores in the top 5 percent taking the ACT in that year, in your senior year, would qualify for this scholarship. This year, that would be a score between 30 and 36, so we're talking pretty bright students here if you're doing that well on your ACT. It would be a 3.5 GPA you'd have to maintain. This is the same as required for a Regents Scholarship, so that's kind of where we based what GPA should you have. But I think if you're a serious student, they're probably going to receive some aid, but they'll probably maintain that 3.5. Just a few statistics, though, I think this is important, and I'm going to read these just because I don't want to get them wrong, but according to the U.S. Census data, Nebraska's the tenth most heavily out-migrative state for young, single, college-educated people. We got that through the U.S. Census Bureau. Fifty-seven percent of students who scored in the top 5 percent enrolled in colleges and universities outside of Nebraska. So when you look at your fiscal note, that's where you got that information, but 57 percent of our kids didn't enroll here. I think this would be an incentive to at least slow it down a little bit and look at some of our fine institutions. A survey by the UNL Career Services found that individuals with higher degrees and higher GPA's were more likely to move out of the state, and this is from last year when we were doing some studying on the 529 Plan

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that the 2004 Daily Nebraskan article...and they did their research through a UNL Career Services survey. And a sampling of undergraduates indicated that more than 76 percent of undergraduates with a GPA with a 3.0 or lower will stay in the state, but that number drops to 64 percent of our graduates here in Nebraska with a 3.5 or higher. So research shows that graduates who are residents of the state where they attend college are more than likely to stay in the state after graduation. This is from the Benefits of a Public Higher Education to the State of Indiana, this is from their Office of Strategic Planning, Institutional Research and Effectiveness from 2003. But also this summer I was at UNO talking to Chancellor Christensen, asked the same question with his background in education, I said what do you think if a student graduates from Nebraska, what are the chances? He goes, very likely, just from experience, very likely they will find a job--especially if we're creating a climate to recruit these kind of kids--well, of course they'll stay here I think. So South Carolina's legislature created merit-based scholarships and there's dramatic increase in number of high achieving students who indicated that they would stay in that state for their college. That's from the University of South Carolina Alumni Association. And like I said, when we look at \$2,000, when you look at the whole scope of a college education, I'd love to up the number, but I think this is a reasonable number and it expresses our desire to keep those students here. And I think it would be a tipping point for some of our students because many of the merit scholarships--and I'm going to use the Regents Scholarship--pay only for the tuition. There are other costs associated with the college education, and just books and miscellaneous fees--we got this from UNL's web site--is \$1,230 a year, and room and board is \$12,968. Again, that's from the UNL web site. So there are other costs associated with it that parents...and they're going to get other scholarships I understand that, but when we talked to a few of the students here, I think they would appreciate it very much from what we're hearing. On a personal note, like I say, when I deal with some of the parents...and I'm dealing right now one of my better friend's daughter who scored a 34 on the ACT in Omaha--she was sent letters from every major university in the Midwest. Oklahoma offered her \$85,000 just to come down to the University of Oklahoma, and this is a gal from Millard. So there is some real competition going on. We did contact her, and our universities are of course contacting this student, too, but when...you know, if you get offered \$85,000 plus a new laptop came with that deal, that's quite an offer. In the same family, their son scored a perfect ACT and is at the University of Kansas right now, and that's just one example. Many others that I talked to...you know, I think this would be a benefit to help steer them back here to Nebraska. Thank you, Mr. Chairman. [LB1013]

SENATOR RAIKES: The gal who went to Oklahoma, was she going to coach football there or...?(Laughter) [LB1013]

SENATOR GAY: I think she's going for biology. [LB1013]

SENATOR RAIKES: Senator Burling has a question. [LB1013]

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SENATOR BURLING: Thank you, Senator Gay. If you defined eligible institution for us in your opening, I missed it. Could you do that again, or define eligible institution? [LB1013]

SENATOR GAY: Yeah, it would be any eligible institution of higher learning, postsecondary. It would be any college in the state that offers a secondary education. Right now, there's no one excluded from that at present. [LB1013]

SENATOR BURLING: Okay. [LB1013]

SENATOR RAIKES: Senator Adams. [LB1013]

SENATOR ADAMS: Senator Gay, I think you stated it and I missed it, if we taken the ACT composite of the top 5 percent of Nebraska, what would that composite be, did you say or did you say? [LB1013]

SENATOR GAY: I did. If you look at the fiscal note what we did on some of those, there are 16,000 ACT's taken, I'm going to give you...Coordinating Commission estimates that students, bear with me...there were 16,000 ACT scores. There were 800, is what we're saying would in 2009, 800 Nebraskans... [LB1013]

SENATOR ADAMS: You say it is in the fiscal note? [LB1013]

SENATOR GAY: Yes. If you look in that fiscal note--they did a good job of putting that in there--the range is 30 to 36, so if you... [LB1013]

SENATOR ADAMS: The range 30 to 36. Okay, that answers my question. [LB1013]

SENATOR GAY: ...received a 30 or higher. The fiscal note I thought did a very good job representing. And of course, we're not saying that every student is going to stay in Nebraska. We're making estimates. This is not going to be utilized by everybody, because there are other opportunities, granted. There's a big world out there. [LB1013]

SENATOR ADAMS: And that was my other question, and you testified to that a couple of times. Kids that are in this composite range are probably knocking down some scholarships and so forth already. So I understand that this is just a little extra icing on the cake that might tip the balance. [LB1013]

SENATOR GAY: And Senator, for four years I don't want any indication that our Nebraska institutions are not recruiting these kids, they are and they do a good job. This is just what I felt would be more incentive. [LB1013]

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SENATOR ADAMS: Thank you. [LB1013]

SENATOR RAIKES: Senator Avery. [LB1013]

SENATOR AVERY: Thank you, Mr. Chair. Senator Gay, you know that I support this legislation since I signed on today. You have identified a problem that's been a concern of mine since I came here. That is two things: one, we have a growing labor force problem. I've talked with the director of the Department of Economic Development, and he says that we have something like 42,000 good paying jobs that are out there vacant, and we don't have the workers to fill those jobs. This, I think, is a good idea to perhaps help fill that. Plus, we have a brain drain problem. Best and brightest are leaving the state. I used to see it almost everyday when I was at the university. When we would get some of these honor students, we would hang on as tightly as we could because we were afraid they might get lured away. This might be a way to keep them here. I have some legislation of my own that seeks to deal with this, but I thank you for bringing this. I hope we can get it out of committee and onto the floor for debate. [LB1013]

SENATOR GAY: Thank you, Senator. [LB1013]

SENATOR AVERY: Did I just tip my hand on how I'm going to vote? [LB1013]

SENATOR HOWARD: I think we can guess. [LB1013]

SENATOR RAIKES: Senator Howard. [LB1013]

SENATOR HOWARD: Thank you, Senator Raikes. I, too, support your legislation. I remember a few years ago when my youngest one graduated from high school and received--she scored well on her testing--and received a large scholarship to Smith, which is where she ultimately went. And at the time, I thought what a shame. What a wonderful opportunity for her, but what a shame that we couldn't keep her here, I couldn't keep her here. And I found out later, she graduated from Smith, and I found out later down the road that they really do target Nebraska or the Midwest kids because our kids have a strong work ethic. If you can get a kid that's really well based, scores well, has a good resume in terms of high school activities and things, those kids are a real target for schools, especially on the East Coast. Like I said, she graduated from Smith, but then she went onto law school. She's now in Illinois. We couldn't keep her here in Nebraska to make that commitment, and I think this bill would really be a step toward doing that. And thank you for bringing that in. [LB1013]

SENATOR GAY: Thank you, Senator. [LB1013]

SENATOR ADAMS: I'm going to ask one other question of you, Senator Gay. You may not have the answer, but I'm going to ask the question. I see some others in the room

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who probably might have an answer. I don't know if they planned to testify, but maybe they can come up. The intention here as we all know is to try to keep some more of our college students, our best and our brightest, in the state. And I think the number that I see now in the fiscal note is like 50-some percent, 57 percent that are leaving. Do we have any data over a period of time that tells us why that 50 percent is leaving? Is it money? Is it programs? Is it I'm 19 and I just want to get out of here? I ask that question of you. You might not have the answer, but as I said maybe someone else does and wants to respond in a moment. [LB1013]

SENATOR GAY: And Senator, in the interest of time, I don't have that answer but you touched on something and Senator Howard touched on this, too. I don't quite know the answer, but we should be identifying these kids and I think we are. And I think we're getting better. I did check with one of my regents, Bob Whitehouse, is looking into this as well. And I think we're doing a good job, but there's a certain point where if we don't identify these kids early and let them know that we really want them here, we're losing them and they don't come back. We're fortunate...if it's your child that leaves, they may not come back...and I'm not saying they shouldn't experience the world, some are just going to leave. But I do think we're losing some of our whole good generation of kids that are leaving and not being our CEO's of tomorrow and teachers and everything else we look at--but I'd be interested in that, too, Senator. [LB1013]

SENATOR RAIKES: Senator, the cost of this once fully implemented, it looks like by the time we get to 2012-2013, it's \$4 million? Is that...and that would actually increase a little bit each year beyond that, well, some. Is that right? [LB1013]

SENATOR GAY: Yes. [LB1013]

SENATOR RAIKES: And this would be a General Fund appropriation? Right now, you mentioned in some instances we have Regents Scholarships, there are National Merit scholarships that perhaps some of these students would be in line for. This would be more or less a sweetener for those. Regents Scholarships are funded how? [LB1013]

SENATOR GAY: I think those are--I'm not so sure--I think those are funded through the university, but one of these behind me will answer that. [LB1013]

SENATOR RAIKES: Okay, and National Merit, do you know about those? [LB1013]

SENATOR GAY: No, but the student I was telling you about is qualified to be a National Merit scholarship, you hear about that, she'll be hearing very soon and probably will be that. However, based on that she's already had a bunch of other offers and we have contacted her, Nebraska's contacted her, but I think if they knew they had this at least as well to look at earlier--because they're making decisions now. You haven't received all your information, but you're making the decision now is the way I understand it. Their

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into the second semester of their senior year, with this being in place they'd at least we know we have something. On the fiscal note, I'd like to see it get 100 percent and go higher than this quite honestly, because then I think it'd be money well spent. So I'd like to see the fiscal note go up. [LB1013]

SENATOR RAIKES: You're disappointed that the fiscal note isn't higher. Write that down. [LB1013]

SENATOR GAY: That would be a first, I'd say (laughter). [LB1013]

SENATOR HOWARD: Increase the eligibility. [LB1013]

SENATOR GAY: But if that was going up, obviously we'd be keeping many of our brightest. But when we look at the whole scope of what we're spending on other incentives for businesses to come here and others to stay here, this is a small percent of those dollars. [LB1013]

SENATOR RAIKES: So you'd be willing to forgo some business tax incentive so that we could pay more in this program? We may have some room to talk here. [LB1013]

SENATOR GAY: Well, that's not germane to this (laughter). You're a hard one. It's rare I say that. This is a key though like I say, all those other incentives will be moot if we don't have good employees. [LB1013]

SENATOR RAIKES: Let me posit a situation where you got two students that score the same on ACT, 35 or whatever the number is. One of them has lots of family resource, the other one has none. If you only had enough money for one of them, would you choose the one who had the need or not? [LB1013]

SENATOR GAY: I'd choose the one the postsecondary...postsecondary, they administer the program. On that case, though, would I argue this? The one that has the need, are there many other options available to that person as well that they might receive that the other person wouldn't, of means? And that person of means, maybe this won't be as much. I guess this is targeted to a certain middle class, let's say. The person of means can go wherever they want no matter what, whether they score a 30 or not. I think we're talking somewhere in between those ranges. [LB1013]

SENATOR RAIKES: But you wouldn't exclude a student... [LB1013]

SENATOR GAY: No, I think they'd finish in the top five. They'd be in the top 5 percent, so they'd get the same \$2,000. Two thousand dollars would mean more to that lower income person than it would the higher, of course. [LB1013]

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SENATOR RAIKES: I guess that's what I'm asking you about. Should you target... [LB1013]

SENATOR GAY: I think this is called a merit-based scholarship for that reason, and is it more of a challenge who's coming from that background to get this? Yes, but I think there are some good students out there, just some smart kids out there. Is it harder for that socioeconomic class? Absolutely, but it can be done. And this is merit based. There are many other scholarships out there, on both ends of the spectrum. If you're filling out your financial aid package, let's say, you know it's harder as you, there's a certain range there where...I don't know what the term middle class is now, but there's a certain range where it's harder to get your student aid. That's what I hear from parents, and I've got young kids still. I haven't had to deal with all that, and I'm no expert. You know, the others behind me, maybe that's a good question as well. [LB1013]

SENATOR RAIKES: You made several points about the importance of college attendance in terms of determining state of residence. Wouldn't it make sense to extend this same program to out-of-state students? [LB1013]

SENATOR GAY: I wouldn't be opposed to that. It would get to the core, yeah, if...I'm no expert in education. I would assume we're doing that a little bit. If you look at UNO is now offering in-state tuition to Iowa residents in Council Bluffs. We're doing some things like that. But if we did something like that where we gave some kind of scholarship...I assume we are recruiting on that end of, we're recruiting just as much I would assume on National Merit scholars as anyone. Like I say, I'm trying to keep the focus in the fiscal note to a certain limit here. Would I love this to be \$5,000? You bet. But look what that does to the fiscal note. I think there's a realistic approach to it. And any amendments that you feel, if you have discussions, that would make it a better bill, I'm all for that, too. So... [LB1013]

SENATOR RAIKES: Okay, any other questions? I don't see any. Thank you, Senator. Are you going to stick around? [LB1013]

SENATOR GAY: You bet. [LB1013]

SENATOR RAIKES: Proponents? Reluctant proponents? Any kind of proponents? [LB1013]

TIP O'NEILL: Searching for my sign-in sheet. Senator Raikes, members of the Education Committee, I'm Tip O'Neill. I'm president of the Association of Independent Colleges and Universities of Nebraska. We are a consortium of 14 nonprofit, regionally accredited and privately controlled colleges and universities located in this state. We support LB1013. It is, we believe, consistent with the goals of the LR174 committee, which met in 2003 to talk about higher education, and the major recommendations of

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your task force at that time, were to first to increase the number of students who enroll in higher education in Nebraska; second to increase the proportion of student who attain degrees; and third reduce out migration of Nebraskans with high levels of educational attainment. And we believe that this bill, at least in part, relates to those three important state goals. We all know the importance of keeping our outstanding Nebraska high school graduates in our state. They are our best hope for future prosperity. To be competitive as a state in the 21st century, we will need our best and brightest young people to live in this state. They need to lead our businesses, our local and state governments, and our philanthropic organizations as we face the many challenges the future holds. LB1013 is a good first step attempting to keep a coveted part of our high school graduates in Nebraska. These students are in high demand. They have great academic talent. We believe the state will be well served if that cohort of students remains in Nebraska for college, because those students who attend college here will be more likely to stay in Nebraska after they graduate. We urge the Education Committee to advance LB1013. I'd be happy to answer any questions you might have. [LB1013]

SENATOR RAIKES: Okay. Thank you, Tip. Any questions? Senator Kopplin's got one. [LB1013]

SENATOR KOPPLIN: Thank you, Senator Raikes. I was wondering what proportion of private school students actually get their degree from those that started? [LB1013]

TIP O'NEILL: It would vary institution by institution. I don't have the most recent six-year graduation rates in front of me, but I can certainly get that information. It's published actually, all the graduation rates for all institutions in the state, are published on the COOL web site, which is a web site of the U.S. Department of Education. So you can, I think, Senator Raikes, I provided you with a big folder about a year ago that had all of those graduation rates in it. [LB1013]

SENATOR RAIKES: And I read it all. [LB1013]

TIP O'NEILL: I'm sure you did. And I'll certainly be happy to get that information for you. [LB1013]

SENATOR KOPPLIN: You estimate six years now? [LB1013]

TIP O'NEILL: That is the standard that's used by the U.S. Department of Education. We also keep four-year graduation rates for our students also. I would say that the independent sector in Nebraska enrolls almost one-half of the first-time, full-time freshmen who enroll in Nebraska from out of state. So we have a fairly significant percentage of nonresident students who attend our institutions, and again that varies campus by campus. For example, in Lincoln you have the two extremes. The highest

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percentage of Nebraska resident students are actually enrolled in Nebraska Wesleyan University, and the lowest percentage of Nebraska residents are enrolled at Union College. So it does vary significantly. [LB1013]

SENATOR KOPPLIN: Thank you. [LB1013]

SENATOR RAIKES: Okay, other questions? Senator Avery. [LB1013]

SENATOR AVERY: Would you give me your best argument for why state-funded scholarships ought not just to be awarded to people who are going to state-run institutions? [LB1013]

TIP O'NEILL: Well, certainly. I'd love to answer that question, Senator Avery. First of all, we're talking about the aid that goes to the student. If you look at federal financial aid programs for example, you see that Pell Grants and Supplemental Education Opportunity Grants and student loans, and all of those sorts of financial aid programs are directed to the student. And again, we believe that state financial aid programs ought to be directed to the student. As far as the control of the institution is concerned, I mean if you want to make the argument that taxpayer money shouldn't go to students who attend privately controlled colleges and universities, then you would probably agree that the same argument would apply to state Medicaid funds that go to privately controlled hospitals. It's really the same issue, and yet no one ever brings up that issue. So... [LB1013]

SENATOR AVERY: I was not surprised you had an answer. [LB1013]

SENATOR RAIKES: Any other questions for Tip? I don't see any. Thank you. [LB1013]

TIP O'NEILL: Thank you, Senator. [LB1013]

SENATOR RAIKES: Other proponents? Mr. Cavanaugh, welcome. [LB1013]

JAMES CAVANAUGH: Senator Raikes, members of the Education Committee, my name is James Cavanaugh. I'm an attorney and registered lobbyist for Creighton University, appearing in favor of LB1013. We commend Senator Gay for bringing this proposal before you. We think it has great merit. Just to give you some idea and the numbers that we're talking about at Creighton University, which is the largest private university in the state. In the top 5 percent ACT scores for the current freshmen class, out of 1,000 freshmen, about 97 of those would have finished right around, at 29 or higher. And I believe the fiscal note says the top percent is 30 to 36, so about 10 percent of our freshmen class. The student body undergrad as a whole, currently there are about 350 who had ACT scores in that category. And so obviously, that's a great utility to any university really to draw the best and the brightest that they can, and

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Creighton prides itself on not only drawing from the Nebraska population, but bringing in students from all over the country and around the world to be educated in Nebraska. And I believe there was some inquiry about well why should we worry about bringing kids from other places to come here to go to school, and the reason is demonstrated I think. I'll give you a couple examples of students who came from different places to go to school at Creighton University and stayed on to make contributions to the state. One of them is Governor Johanns, who's a native of Iowa, grew up in Dubuque, came to Creighton University, and ended up in the national cabinet as Secretary of Agriculture. The other is our current mayor of Omaha, Mike Fahey--I picked a Democrat and Republican specifically for you--who came from Kansas City, go to Creighton University, and has ended up serving a distinguished term as mayor of Omaha. And this is true in medicine, it's true in law, it's true in pharmacy. We bring in people from all over the world, and where you go to college is a great determinative of where you end up living. People come here from all over, they get an education but they might also acquire a spouse, put down some roots and they stay to make significant contributions to our state. This type of an investment can only foster that. We would urge you to take favorable action on it. I'd be happy to answer any questions you might have. [LB1013]

SENATOR RAIKES: Questions for Jim? Jim, if we only had X dollars, \$8 million or something like that for all aid for postsecondary students. Currently, we're using that money now for need-based aid. Should we take half of that away from need-based aid or some proportion away from need-based aid and direct it to this merit-based program? [LB1013]

JAMES CAVANAUGH: Well, Senator, if we were dealing with a zero sum that we could spend on higher education, you know, that argument would have more merit, but we're not. You preside over a budget of billions of dollars, and I think any rational person, any person with Nebraska's well being and future at heart, would say of all those billions of dollars we could only dedicate \$8 million to higher education, we're doing something wrong. I understand what you're saying in terms of the needy--and believe me because Creighton's tuition isn't subsidized by the state, it's significantly higher than the state universities' subsidized tuition. We would love to have a bigger need-base program, but it's not an either/or choice. Senator Gay made a very good point that there are need-based programs out there. Our students probably participate in them as much or more than students in the state universities, but there's something to be said for the best and the brightest, too. There's something to be said for merit. If you get this kind of a score on an ACT, and I can't say that I did, but you've done your homework. You worked hard in high school, you were a good student, and that's a good kind of indicator that you're going to a good fill in the blank when you grow up. If you've got that kind of a work ethic as Senator Howard says, which Nebraska students demonstrate more than say a lot of students in different states, we want to keep those people here. And it's the merit part of this that I think has the merit. I mean, we're not taking anything away from those needy students by doing this. What we're doing is saying we'll do all of that, plus

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it's in our interest to reward and attract the best and brightest, our future leaders. Thank you. [LB1013]

SENATOR RAIKES: That was a very weak argument (laughter) that last one. Senator Kopplin. [LB1013]

SENATOR KOPPLIN: Thank you, but I come back to these numbers. If we have the best and the brightest and we're still losing 30 percent, what's wrong? [LB1013]

JAMES CAVANAUGH: Well, once you get out of school, you know there's question of opportunities. I have four children, two of them have completed their university education, and one them came back and one of them lives in Chicago--and she lives in Chicago because she had more opportunities in her profession in Chicago than she did in Omaha. So, you know, we need to look at that end of the equation as well. What do you do after you've completed your education? And that's economic development, that's jobs. [LB1013]

SENATOR KOPPLIN: Yeah, but I'm talking about the 30 percent that don't complete college. [LB1013]

JAMES CAVANAUGH: I think there a lot of different explanations for that. And you know, maybe they come back at a later time. There are a lot of kids, as Mr. O'Neill pointed out, that you know where it used to take four years, they're taking six years now. So that percentage might be a snapshot, but it might miss those who then return to the system after two or ten years as nontraditional students and complete their education then. I think it's economics, I mean it's hard to go to school if you're young and if you've got a family--you're married and you got a couple kids. That means you've got a job and you've got a school commitment and you've got a home commitment, and that's really difficult. [LB1013]

SENATOR KOPPLIN: I don't disagree on the economics part of it, but if you're losing 30 percent of the best and the brightest, then you're probably losing 60 percent of the kids that had trouble getting there in the first place. [LB1013]

JAMES CAVANAUGH: I think that, you know, as Mr. O'Neill pointed out the Department of Education statistics are available. I think it will vary from institution to institution. It will probably vary from economic strata of family to economic strata of family, and so the bulk of those, I would bet, that you are losing are from families that are economically disadvantaged. And kids are called upon to grow up quicker and to step into the job market quicker to help support the family. [LB1013]

SENATOR KOPPLIN: But wouldn't those be the ones that need the scholarship then? [LB1013]

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JAMES CAVANAUGH: Yes, and I would urge you to take the same look at enhancing need-based scholarships in Nebraska. For what we spend, we rank 40-something in the country in terms of what we spend on student financial aid to higher education. You know, that isn't because we don't have enough money, that's because our emphasis hasn't been there. There's plenty of money. [LB1013]

SENATOR KOPPLIN: Okay. Thank you. [LB1013]

SENATOR RAIKES: Any other questions for Jim? Thank you. [LB1013]

JAMES CAVANAUGH: Thank you. [LB1013]

SENATOR RAIKES: Other proponents? Welcome. [LB1013]

JERRY HOFFMAN: Thank you, Chairman Raikes and Education Committee members. My name is Jerry Hoffman, and I am with the Nebraska State Education Association. The NSEA is a union of teachers, faculty, and education support professionals, about 26,000 across the state. The board met on Saturday and approved the Legislative Bill 1013, and wants to express gratitude to Senator Gay for bringing it forward. There is one reservation however that NSEA has on this bill, and its criterion of 5 percent. I understand the rationale to attract, or keep, the best and brightest of high school graduates in the state, but this also tends to be, in terms of the top 5 percent, the students who will attract a lot of scholarship money to go to Oklahoma and other parts of the country. So that in terms of considering some potential changes to the bill is looking at what that next 5 percent or 10 percent or 15 percent, not really sure how large that criterion ought to be, but certainly something that would be expanding it beyond the top 5 percent. With that, I would be able to entertain questions. [LB1013]

SENATOR RAIKES: Okay, thank you, Jerry. Questions for Jerry? I don't see any. Thanks for being here. [LB1013]

JERRY HOFFMAN: Very good, thank you. [LB1013]

SENATOR RAIKES: Mr. Evnen, welcome. [LB1013]

BOB EVNEN: Mr. Chairman, thank you. Senators, members of the committee, I am delighted to appear before you this afternoon on behalf the Nebraska State Board of Education to express unconditional support for this bill. We think that this would be an excellent bill to enhance the likelihood that Nebraska can retain its outstanding and most distinguished students. That has obvious significant and positive effect for the state, and we think that this would be a terrific opportunity to focus on that. There's often a lot of discussion in education about issues of equity. Those are important discussions,

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we have to have them, and we do. At the same time, we also have to think about excellence and the question of how we support students who have achieved educational excellence, how we retain them in our state, and the tremendous benefits our state enjoys when those students stay here for their education and for their careers. And so we as a board are expressing our strong support for LB1013, and I'd be happy to answer any questions. [LB1013]

SENATOR RAIKES: And for our transcriber, this stirring testimony has come from Bob Evnen, E-v-n-e-n. Okay? [LB1013]

BOB EVNEN: E-v-n-e-n. I apologize for not following instructions. [LB1013]

SENATOR RAIKES: Any questions? Okay. Well, thank you for being here, Bob. [LB1013]

RON WITHEM: Senator Raikes, members of the Education Committee, my name is Ron Withem and following instructions, R-o-n W-i-t-h-e-m. I'm representing the University of Nebraska, here to testify in support of LB1013. Conversation between Senator Kopplin and other testifiers reminded me of a statistic I saw that I thought was pretty stark relative to college completion rate. We in Nebraska think, and in many ways do, have an outstanding education system, but sometimes we get lulled into complacency. And the statistic I had seen was taking a cohort of 100 students who started 8th grade, following them through to see how many of those actually graduate from high school, and the number is something like 90 of those 100. And then follow through how many of them enter postsecondary education, how many of them get a four-year degree, and it's really about 21 percent to 25 percent of those people that start 8th grade that actually get a college degree. And in the type of society we're living in now where the knowledge-based economy, there's a premium on knowledge and skills, we're going to have to do better than that. I don't know if anybody's mentioned it, but I know that Governor Heineman has challenged higher education to increase the college going rate in the state by 5 percent. Issues like this I think are a part of that. This isn't the whole solution. I think there's been some interesting discussion that's part of an internal debate that goes on all the time as to whether need-based, merit-based, high appropriations so tuition can be kept lower, all of those are a part of the solution. I think a bill like this that singles out merit to try to keep the best of our students in the state is an important part of that. One of the things I saw in the newspaper articles when Senator Gay introduced this bill was a little bit of a debate on the blogs about well, don't these students that score in the 30 range of their ACT already get Regents Scholarships and lots of other aid? And there were some nice responses back from students indicating that although they appreciate the Regents Scholarship, that it doesn't cover the full cost of attendance and having this additional \$2,000 is helpful in picking up incidental costs, room and board--other necessary costs they need. So it's not like those students all have 100 percent free rides necessarily. I would respond to any questions

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that anybody has. [LB1013]

SENATOR RAIKES: Thank you, Ron. Questions? Okay, the \$8 million question. [LB1013]

RON WITHEM: Is that direct appropriation to the university or... [LB1013]

SENATOR RAIKES: That's a little high for that. If we're spending \$8 million on need-based aid now, do we cut that to \$6 million and do \$2 million merit-based only? [LB1013]

RON WITHEM: No, I don't think we do. As a matter of fact, I think if we're going to take seriously this charge of increasing the college going rate and the college completion rate, we have to attack it on all fronts. I would agree with Mr. Cavanaugh, who I think made the case that we need to invest in need-based aid and in merit-based aid both. [LB1013]

SENATOR RAIKES: The argument that a 30-plus ACT student could use some more money, you know, I got a Regents Scholarship, I got a National Merit, but you know, there's still some unpaid bills. I mean there is the argument that a student with that kind of ability likely would be a lot better able to manage a student loan repayment postcollege than someone who didn't have that kind of ability. [LB1013]

RON WITHEM: There would be that argument. I understand that argument. [LB1013]

SENATOR RAIKES: So should we...I'm still stuck on the question of how do we make the decision about allocation of limited resources that we have available for aid of any type between merit and need? [LB1013]

RON WITHEM: Well, you have to develop a balance I think. One of the things is I heard Senator Gay giving his introduction. One of the main purposes of this bill is leveraging the decision-making process of the students, who the fiscal note says 57 percent of them are now attending college outside of Nebraska. And as other people have indicated, once the young person leaves the state it's pretty tough to get them back. So an investment of the amount provided for in this fiscal note to try and address that problem, and at the same time, being aware that we have a number of young people who are incapable of attending higher education because they don't have the resources. They may not have the high ACT scores. I think both of those are definite problems and they need to be addressed, and it's important if we are going to increase the college going rate, if we're going to have the student workers after they graduate from college here to take these jobs that we have, we need to do both. [LB1013]

SENATOR RAIKES: There is a question, it seems to me, as to how do you maximize

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your chances for success? If you've got a student that is gifted in math and is offered a full-ride scholarship to MIT, do you try to dissuade that student from taking advantage of that and staying here? Or do you simply say, go ahead and we'll try to attract you once you complete your degree at MIT? [LB1013]

RON WITHEM: I think number one, we're not going to retain all of our students, and there are those students for whom the MIT experience is the right experience. But I would like to have that student go to MIT after having had a full, fair offering from the University of Nebraska, or from Creighton University, to stay in the state. No, we're not going to keep all of them, but I would like every student to...at one time I think there was this assumption that if you're this caliber of student there's no place for you in Nebraska, and I don't think that's true. I think our institution and many of the other institutions offer very good opportunities for those students. [LB1013]

SENATOR RAIKES: Okay, thank you, Ron. Any other questions? I don't see any. [LB1013]

RON WITHEM: Thank you. [LB1013]

SENATOR RAIKES: Other proponents? [LB1013]

DENNIS BAACK: Senator Raikes and members of the Education Committee. For the record, my name is Dennis Baack, D-e-n-n-i-s B-a-a-c-k, and I'm the executive director of the Nebraska Community College Association, here to testify in support of additional dollars for scholarships for Nebraska students. I think it's important we do that, and I think that's been stated by several other people that this needs to be in addition to what we do now. And in fact, we need to increase what we do in need-based aid. And if you look at the students who, you know, if you look the majority of our students are they going to fit into this category? No, they're probably not going to fit into this category. But we may get some of them that come to a community college and get their beginning in a community college. And so I would encourage you to, and I think it's important that we keep that top 5 percent in the state. I think when you look at our system, you look at our system of community colleges, and we see a lot of our upper-level administrators and leaders in community colleges getting closer to retirement and stuff, I'd like to keep some of our best and brightest here in Nebraska to run those institutions in the future. So I think that is an advantage that we could have by keeping the best and brightest here. And I understand the argument about the need-based aid, and we use need-based aid probably more than any other sector of higher education in community colleges because that's our clientele. But I think there's also a need for keeping those best and brightest in the state. And with that, I would be happy to answer any questions. [LB1013]

SENATOR RAIKES: Okay, questions for Dennis? I don't see any, thank you. Any other

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proponents? Any opponents? Senator Gay, this is where you can take lessons from me? (Laughter) Neutral testimony. [LB1013]

CARNA PFEIL: (Exhibit 1) Chairman Raikes and members of the Education Committee, I'm Carna Pfeil, P-f-e-i-l, and I'm with the Coordinating Commission for Postsecondary Education. And I must offer you our executive director's apology for not being here; he had to meet a new appointed commissioner in North Platte, so I told him I would give his condolences for not being here. We are testifying neutral just to let you know we do have the ability to administer this program. It is similar to some of the programs that we already administer. You will see in our fiscal note we have proposed that this could be an economically run financial aid program. However, there's a little wrinkle in our information because our fiscal note is based on the fact that we would receive ACT information directly from ACT. The problem is that ACT, the information that ACT has actually is under the federal Family Education Rights and Privacy Act, and it's better known as FERPA, and they control the dissemination of that information. The information technically now has to go to the Department of Ed and then we would have to get the information from them. That would present a difficulty because we would then have to do applications, we would have to involve all the counselors at the high schools, and it would be a long, protracted process. We estimate that it would add another \$60,000 to the cost of this program, and for us to do it where we would get it directly from ACT, the ACT scores, it's about \$7,000. So there's a big difference in the cost of the program. We are in the process of filing a request with the Department of Ed to be listed as an exempt organization. There is an exemption in the FERPA rule that allows for entities that are doing financial aid and research to be exempt, and so we are in the process of doing that. Even if this program doesn't go forward, we will try to get that opinion. So, we are hopeful that this will be a reasonable program. Some of the statistics and you'll see in the fiscal note, because we worked with the legislative fiscal analyst on this, and they used a study that was done by ACT in the year 2000. We do have some updated information on that, but to look at all angles of it, I think it's best to look at the 2000 study because we know more about our students. ACT no longer provides the information that they did in 2000, and hopefully if we get the information direct, we will be able to do that. In 2000, there were about 837 students that were in the top 5 percent. Of that, about 500-540 students went out of state. And so actually, we retained about 300 of those students or a little less than 300, so we are retaining some of those. We are not losing all of that 5 percent. Interesting in that study was that we also brought in 340 students who were in that top category of 30 to 36. So we are also bringing in some high-achieving students. The current information, we asked ACT to give us the current information, and they said that the top 5 percent would be students who had a 31 or higher on their ACT. That would be about 800 students. We do know from a study that the commission did that we had, in 2006-2007, and this 811 would be 2006-2007, we do know that about 345 of those students went to highly ranked institutions outside of Nebraska. It's the commission's opinion it's going to be difficult to get those 340 students to go to an institution in Nebraska. They're offered some very

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attractive packages, and it makes it difficult for Nebraska institutions to compete with that. Certainly, this would help. There are three things that we found in the bill that we think if this goes forward, that you need to address. [LB1013]

SENATOR RAIKES: Seeing as how the red light is on, let me ask you, what are the three things you found in the bill? (Laughter) [LB1013]

CARNA PFEIL: Thank you. I didn't think I'd take that long. There are three items. One of those is that there needs to be some kind of contingency language in there in case that you don't fully fund this, so we can't offer \$2,000 scholarships to all of the students who would apply. There isn't anything that's real clear, and we have given this information to Senator Gay, so his staff knows about this. We would recommend that you put something in there so we know how to distribute those funds in case that there isn't full funding. The second one is that the refund language is not clear, and we know from prior financial aid programs that if you don't specifically spell out how refunds should be handled, and I'm talking about if students drop, how do those institutions refund the money? And that needs to be clearer, otherwise it gets misinterpreted. The current language, and this is one that I think needs to be addressed if nothing else gets addressed, is that the current language does not specify undergraduate students, so it is possible to interpret it that if you continuously go to school, and we have some students who will get their bachelor's degree and continue right on to a master's degree. The current way the bill is proposed is that if you continue to be a full-time student, you qualify for this scholarship. It's possible that students could go on and get their master's degree and get \$2,000 each year. But that may be something you want, we also need master's students. I do have a piece of paper that I will leave with you and maybe someone can copy that. It does give you the composite ACT score average by income level, so that may be something you want to look at. I know you mentioned that. And I'm finished. [LB1013]

SENATOR RAIKES: Okay, Senator Adams has got a question for you. [LB1013]

SENATOR ADAMS: At some point in your testimony, correct me if I'm wrong here, you said that if you could access the ACT scores through the Nebraska Department of Ed, then the fiscal note is about seven grand, otherwise we're talking \$60,000? [LB1013]

CARNA PFEIL: Right, because we would have to hire somebody. [LB1013]

SENATOR ADAMS: Right, and then it is the discretion of the Department of Ed whether they give you those ACT scores? [LB1013]

CARNA PFEIL: Right now, they believe that there are some questions whether they are allowed to because of the FERPA law. That is why we are going ahead and asking the U.S. Department of Ed to issue an opinion that we are an exempt institution. [LB1013]

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SENATOR ADAMS: And one of the exemptions is for research, did you say? [LB1013]

CARNA PFEIL: And for financial aid. [LB1013]

SENATOR ADAMS: And for financial aid, so... [LB1013]

CARNA PFEIL: So we think it's... [LB1013]

SENATOR ADAMS: You might feel comfortable that you would fit into that status. And then they could release the ACT results to the Coordinating Commission. [LB1013]

CARNA PFEIL: Then our Nebraska Department of Ed could give ACT the authority to release those scores directly to us, and that's the most efficient way to do that. [LB1013]

SENATOR ADAMS: Okay, thank you. [LB1013]

SENATOR RAIKES: Other questions for Carna? I don't see any, thank you for being here, Carna. Are there other neutral testifiers? I see none. Senator Gay, close. [LB1013]

SENATOR GAY: Thank you, Senator Raikes. This is very good discussion, very good questions. Thank you all for your interest on this. And again, I would like to thank the Coordinating Commission for Postsecondary Education, they're very thorough as she just covered. A lot of that is in the financial aid, or not in the financial aid, but in your fiscal note. We covered some of those things, but those are great additions. What I'd like to say, just two things. Senator Kopplin talked about the graduation rates, I agree. I think most these kids if we're looking at scholars, I bet that number's probably higher, I don't know exactly what it'd be, but I would assume the graduation would be fairly high if you're in this category. Senator Raikes asked the \$8 million question, and I think on that, Senator, is that without these types of students in Nebraska, we're going to have much more limited resources if we don't keep them. So longer term, we're going to be up against it if we lose some of these quality kids, who are going to become good taxpayers, good citizens. So with that, just another thing, a note I had. I think keeping these students, again, she had just mentioned earlier some of these best and brightest are leaving. Why can we not keep them here in this state, and we should. We owe it to ourselves and our institutions. We'd raise the bar and the level of education here in Nebraska. Just the overall quality of our institutions would be that much more, so if we can keep these kids, I think that's another thing to think about. But, again, thank you very much for your time. I know you have a long afternoon and any suggestions or any way that you feel could make this a better piece of legislation, I'd encourage any other questions you have after today. Feel free to contact our office, and we'd be more than happy to get you any other information. Thank you very much for your time. [LB1013]

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SENATOR RAIKES: Okay, thank you, Senator. Any questions before he goes? I don't see any, thank you, Senator Gay. [LB1013]

SENATOR GAY: Thank you. [LB1013]

SENATOR RAIKES: (See also Exhibit 2) And that will close the hearing on LB1013, and we'll turn it over to our able vice chair. [LB1013]

SENATOR KOPPLIN: Okay. This will open the hearing on LB973. Senator Raikes, would you introduce it, please? [LB973]

SENATOR RAIKES: I would. Thank you, Senator. Ron Raikes, District 25, the "Irked District." [LB973]

SENATOR AVERY: The what? [LB973]

SENATOR RAIKES: "Irked." [LB973]

SENATOR AVERY: "Irked." [LB973]

SENATOR RAIKES: It's not going over real well, is it? (Laugh). Here to introduce LB973. As you recall, LB342 was introduced last session dealing with state aid distribution to community college areas. I suspect you also recall the committee amendment, your work, was a substantial effort to reform and modernize the community college aid formula. I believe you have been very successful in that effort and accomplished many goals. As you also might suspect, there were a few issues in the implementation of LB342 that brought attention to the need to make some changes, and that's why I'm here today with this bill. Some technical changes, one issue that surfaced in the implementation was the specific data to be used in the formula. LB973 clarifies the property tax valuation information to be used, and in particular makes that information prospective, rather than historic, so to speak. And it also clarifies the accounting method to be used in determining, quote prior year revenues from tuition and fees, and the selection there is accrual rather than cash. Other technical changes include clarifying the data, collection process in the role of the Coordinating Commission, removing an unintentional double growth element, and removing an unnecessary step in the calculation of aid. That unnecessary step was a result of changes made during floor debate dealing with aid figures that were identical to the system foundation need and reimbursable education unit need. A couple of substantive changes also. It became apparent shortly after the aid distribution that community college areas would be motivated to maximize their levy to manipulate the future aid results. LB973 addresses this issue by only allowing credit up to the local effort rate using the formula from the prior year. This change also better controls growth in the aid distribution. It was also necessary to clarify the use of student growth for the 2008-09

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aid distribution and the use of a three-year average enrollment growth is being added. The attempt to define the three-year average is also in need of clarification. I'll recommend that this be addressed through a committee amendment. As you might suspect, adding clarification to clarity is complex. Okay. Finally, there are substantive changes to the 2009-10 aid formula. LB342 included a change to a model that would distribute a substantial part of the need calculation on the basis of average full-time equivalent enrolled student. LB973 changes that to a three-year average of reimbursable education unit, which weight students based upon the type of course work delivered to those students. LB973 also provides for a type of stabilization that would not allow a community college area to have needs of less than 95 percent of the prior year. There may be recommendations forthcoming from the community college areas on the implementation of the 2009-10 formula to better address the transition to that year. Early indications suggest that a revised stabilization is necessary, in particular for Central Community College. It is also apparent that we need to introduce student growth or otherwise ensure sufficient growth in needs for 2009-10. I anticipate that over the next week, the community colleges will submit their recommendations on these issues, and we can consider that for a committee amendment. With that, I'll stop and attempt to answer any questions you might have. [LB973]

SENATOR KOPPLIN: Questions for Senator Raikes? Senator Avery. [LB973]

SENATOR AVERY: Thank you, Mr. Chair. Everything we do around this place produces winners and losers, almost everything. I don't know that we've ever made a neutral decision, or a decision that had no consequences. Would you accept that? [LB973]

SENATOR ASHFORD: Yes or no! (Laughter) [LB973]

SENATOR RAIKES: Thank you for that... [LB973]

SENATOR AVERY: Given that self-evident fact, who would the winners and losers in this piece of legislation... [LB973]

SENATOR RAIKES: Well, Senator, if you go back to LB342, you remember we were dealing with a number of issues, and really several factors came into play. One of them was the formula that we began with in the committee's work on LB342 had an equalization component, and part of it was nonequalized. We had indications that it wasn't working because we were constantly being asked to change base revenue numbers--you remember that--because one community college area or another was not being treated appropriately. We also had a situation where we had drastically different property tax levies across the state for different community college areas. And in particular, you might remember, Western had a very high property tax levy. Our approach was to move all of this toward an equalization formula, and the committee, I think successfully, accomplished that. Now, we did issue, remember, increase state

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funding to community colleges in LB342 last year. I can't remember, but I think there was an increase of something on the order of \$12 million. Is that right? So I think there was some substantial gains achieved. We did equalize the property tax levies across the state. I think we end up now heading into this year and next with a formula that more accurately represents the actual financial needs of those community college areas, so certainly all of those are gains. Twelve million dollars more state funding for community college areas, I suppose you might argue, well, maybe the taxpayers of the state are the ones that foot that bill. On the other hand, public education, public higher education, is a very important government service to people. I'm not sure they would regard themselves as losers in that sense because there is more public money being used for that purpose. So I hesitate to claim a win-win on this one, but I do think it was a significant and a substantial advance in our state policy toward the funding of community colleges. As we move forward, and this is maybe also one of the things you're getting at, in particularly with Central Community College. There always is the issue, well, as a subdivision, whatever funding I am receiving or did receive, I'm absolutely entitled to that. In fact, usually the argument is I'm entitled to that plus some more. When you got through a distribution formula, there is a result that comes out, and that result in some instances may say, well, actually the funding result for your area or your subdivision is less than what you've been getting. The proposal here is that basically two ways: We either adjust the needs calculation to include a factor that we've heretofore missed. We understand that your community college area is incurring a certain or is experiencing a certain condition that requires more funding and we have not recognized that in the formula, one option, or we can't recognize such a factor. So we will make an adjustment downward in your funding, but we'll do it over time, and that over time mechanism is basically a stabilization factor. So both of those are under consideration. In part, we're waiting to hear from community colleges areas on what additional suggestions they have for us in that regard. But I don't want you to believe that we are somehow turning this over to someone else to make the decision. As always, we'll keep those...we will be very concerned within the committee, both about the policy parameters that are in place and any implications for the total funding.
[LB973]

SENATOR AVERY: You're absolutely right that the best predictor of next year's spending is what we did last year, plus some increment. That's one of the cardinal rules of public budgeting. But I'm looking here at the fiscal note, and I see that same percentage change for 2008-09 does not change, right? I mean it's 3.8 percent increase over what we were doing in '07-08 and that does not change. All that changes is the distribution among the community colleges, right, not the overall amount or percentage?
[LB973]

SENATOR RAIKES: Right. In fact, remember in this particular formula...this is different than the K-12 formula. In the K-12 formula, we basically needs drives the appropriations for the state. This one is backwards of that, if you will. The state makes its decision as

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to an appropriation, then that appropriation is in turn distributed among the community college areas. So as long as state law remains that there will be \$87,266,000 distributed to state colleges, then the formula works to distribute that among those community college areas, and that's what you see in the fiscal note. [LB973]

SENATOR AVERY: Well, to get back to my original question, who are the winners and losers, I guess I could have looked at this table more closely and figured that out for myself. It looks like Metro is a clear winner and Central is not, because Central will lose 1.7 percent, metro will gain 12.5. [LB973]

SENATOR RAIKES: Well, and keep in mind now, that that's a function again of the needs calculation, which is an important policy construct. Metro, I don't have the numbers right in front of me, but I suspect that that increase has got to do with number of students served. [LB973]

SENATOR AVERY: Um-hum. [LB973]

SENATOR RAIKES: In Central's case...and this is, you know, what I mentioned earlier, when you look at cost per student for Central, they are higher than what would be predicted looking at some of the factors we typically look at. So that, again, we come to the question, is there something we're leaving out of the needs calculation, and if not, should we or do we address that situation with the stabilization factor, which eventually get Central in line on funding, but it does so over a period of time, rather than dropping off a cliff, so to speak. [LB973]

SENATOR AVERY: And then they would make up the difference in tuition and fees, perhaps property tax increases? [LB973]

SENATOR RAIKES: There is flexibility in this formula for independent decisions by community college areas on tuitions and fees, and also considerable flexibility on levy authority. There is a local effort rate, but the actual levy authority can be either above or below that by a certain percentage. [LB973]

SENATOR AVERY: I know how thorough you are, so I suppose you've talked to the community colleges that are affected and they're not going to get up here behind you and oppose? Of course, you never have opposition to your bills anyway. [LB973]

SENATOR RAIKES: You're just kind of putting this together for me as we go. [LB973]

SENATOR AVERY: Thank you. That's all I have. [LB973]

SENATOR KOPPLIN: Other questions? Senator Adams. [LB973]

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SENATOR ADAMS: Senator Raikes, one of the conditions I see that you're recommending to change is the growth factor, and we're going to...the recommendation here is we go into a three-year average percentage growth. I'm looking at Section 85-2223(1)(a). [LB973]

SENATOR RAIKES: We had, as I mentioned, an inadvertent double-counting of growth and, yeah, running the models and looking at how the community college areas comes out, it seems as though a 3 percent basic growth rate, counted once, would be a good way to handle that situation. Now keep in mind, that growth rate does not--in case this is an issue--does not impact the total state funding to community college areas. [LB973]

SENATOR ADAMS: Right. [LB973]

SENATOR RAIKES: It would affect the local effort rate and therefore the levy authority available to community college areas, although it doesn't lock it in. [LB973]

SENATOR ADAMS: So give me an example. [LB973]

SENATOR RAIKES: Well for example, with a 2.5 percent growth rate, you might end up with a local effort rate of 6.4 mills. If you raise that to 3 percent, it might be 6.5. Okay? And that local effort rate drives the distribution of state aid. It also drives the levy available to the community college areas. I think, in particular the community college area is allowed to go 15 percent above or 15 percent below the local effort rate, in terms of the actual levy that they use. [LB973]

SENATOR ADAMS: So there's not a set levy like \$1.05? [LB973]

SENATOR RAIKES: No, no. [LB973]

SENATOR ADAMS: And you said it was what, 15 cents? [LB973]

SENATOR RAIKES: Fifteen percent above or 15 percent below. [LB973]

SENATOR ADAMS: Okay. [LB973]

SENATOR RAIKES: So it is a range. [LB973]

SENATOR KOPPLIN: Other questions? Senator Avery. [LB973]

SENATOR AVERY: Let me come back to Senator Adams...Section...2223(1)(a), this reads that the growth rate would not be less than zero. [LB973]

SENATOR RAIKES: Right. [LB973]

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SENATOR AVERY: So a community college that suffered a loss of students and thereby a decrease in need, that would not be calculated as a loss. [LB973]

SENATOR RAIKES: Right, right. That is a characteristic, and this is an important issue because one of the things we've encountered, for example in K-12 with school districts that incur a declining enrollment over a period of years. If you have an aid formula that says the money you need to operate a school district depends strictly on the number of students you're serving. So for example, if you have 10 percent less students year one to year two, you shouldn't need 10 percent less money to operate in year two than you did in year one, and generally the case is that doesn't work. There are costs of opening the door, so to speak, or overhead costs that you incur regardless. So a feature of this model is that we are not going to impose that unrealistic financial burden on a community college area that is experiencing a declining enrollment. On the other hand, it was brought to us, and that's sort of addressed in this same paragraph, that if you count growth as necessitating additional funding and you don't count a decrease in enrollment as a requirement for less funding, there's a possibility for some fluctuation that may not make sense. For example, you might have a community college area that experiences, say, a 10 percent drop in student enrollment one year, and then the very next year that enrollment increase from that base is up 10 percent. So really the thing has kind of been flat over a couple of years, but with this sort of a formula mechanism, you would call forth for a big increase in funding. We're proposing to deal with that by using a three-year average, rather than individual year enrollment. [LB973]

SENATOR AVERY: I understand that. But suppose that number, the three-year average shows a 10 percent drop in enrollment, I understand there's some fixed costs that cannot be easily changed in what it takes to keep the doors open, keep the teachers paid, this kind of thing. But if you have significant drop in need, then there might be some opportunity for some redistribution of resources, there might be an opportunity for a cutback in force, say cutting your teacher corps, and perhaps we would want to include that in the formula. [LB973]

SENATOR RAIKES: Well, and I think the argument here...and we certainly can look at exactly how we're doing that. If it's a drop based on a three-year average, it's probably a sustaining drop and it's one exactly as you suggest... [LB973]

SENATOR AVERY: A trend. [LB973]

SENATOR RAIKES: ...that is in fact going to require a downward adjustment. [LB973]

SENATOR AVERY: But this language says it shall not be less than zero. [LB973]

SENATOR RAIKES: Right, right. [LB973]

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SENATOR AVERY: We would not count it less than zero. [LB973]

SENATOR RAIKES: So what you're suggesting that if you go to a three-year average, then you may, if the three-year average is below or less than zero, a negative rate of growth, then maybe that should be considered. So you might want to say, well, okay, it shouldn't be...you don't count anything less than zero. You might say, for example, you don't want to count any less than a minus 2 percent or something, so that you do in fact allow an adjustment below zero. [LB973]

SENATOR AVERY: That's what I'm suggesting. Some number that would suggest a real reduction in overall need might ought to be reflected in the formula. This is not a cheap operation we're talking about here, and you know I've complained for a long time that community colleges have the option of going to the property taxes to make up what we don't provide for them, and other state institutions don't have that option. And I know the arguments for it and against it, but nonetheless, it seems to me that when we are adjusting the formula, we ought to take into account when you have a significant reduction in need, rather than saying it should not be less than zero. [LB973]

SENATOR RAIKES: I think it's a fair point, and if anyone comes up here afterwards, maybe that would be topic for them to talk about. [LB973]

SENATOR AVERY: Dennis is eager. [LB973]

SENATOR KOPPLIN: Any other questions? [LB973]

SENATOR ASHFORD: Just briefly... [LB973]

SENATOR KOPPLIN: Senator Ashford. [LB973]

SENATOR ASHFORD: Thank you, Senator Kopplin. Is this formula...we adjusted it last year primarily to...or increased it by \$12 million basically in our effort to go to an equalization formula from a combination of equalization and other aid, which had created somewhat of a disparity in how the money was distributed. Would that be accurate? [LB973]

SENATOR RAIKES: It would be, and I think you're building on a point made by Senator Avery. If you're changing a formula, quite often the expectation is, okay, I'll go along with the change as long as I don't come out worse off under the new environment than I would have had we continued the old environment. [LB973]

SENATOR ASHFORD: Rather than...and that was sort of the question. There's \$12 million more in the kitty, so to say. So if we look at all of these community college areas

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in relationship, not necessarily to last year's bill, but to where we were before. I mean, what we've done is we've in effect, closed the gaps, have we not on how much aid is distributed? Not necessarily the exact dollar amount, but in a relative... [LB973]

SENATOR RAIKES: Yeah, and I think that's a very valid way to look at it. I think, you know for example, in the Western Community College area, the property tax levy dropped about 5 cents. [LB973]

SENATOR ASHFORD: It was at 12 cents or something. [LB973]

SENATOR RAIKES: And it's gone down to the 7 range. [LB973]

SENATOR ASHFORD: And that seemed to me to be...no matter whether they had fewer or more students or whatever, I mean, that seemed to be so out of proportion to reality...or it was reality, but it seemed... [LB973]

SENATOR RAIKES: So I think that's a significant achievement that the committee made last year. [LB973]

SENATOR ASHFORD: And so in the case of Metro, for example, and I don't know all of the details, but there is an increase as you redistribute. But to some extent, that is the result of somewhat of a quirk in the changeover. Had it not occurred, there would have been...I should use the right word, maybe unjustified increase in the necessity to rely on property tax base, or it would have been more than what had been maybe contemplated under the change. The property tax would have had to go up to meet this...fairly significantly or by some significant percentage, to meet the needs of the growing... [LB973]

SENATOR RAIKES: You're saying had we... [LB973]

SENATOR ASHFORD: Had we not have made this adjustment in LB973 theoretically and kept it going the same way, the difference would have been made up, obviously, in property taxes. They wanted to...or tuition or whatever it is, and that that difference, which under the bill we passed last year, was unreasonably more of an increase than what was contemplated under the act we passed. [LB973]

SENATOR RAIKES: And maybe you're... [LB973]

SENATOR ASHFORD: Was more of an increase. [LB973]

SENATOR RAIKES: Yeah, maybe you're saying this but had you made the change in the formula and not increased state aid to community colleges by \$12 million, then there would have been an increase in the property tax levy in the Metro Community College

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area and actually everywhere else. [LB973]

SENATOR ASHFORD: Right. There would have been...but what I'm saying even further that there's an adjustment to Metro. The adjustment is "formulistic." Is it the result of the growth language? Is that what causes the change? Is it the growth language in this bill, the growth factor language, that increases the percentage to...or the dollar amount to Metro over what would have been under the...is that... [LB973]

SENATOR RAIKES: It's a result of the combination of that growth factor and the characteristics or the environment in which Metro operates, number of students and those sorts of things. [LB973]

SENATOR ASHFORD: Okay. [LB973]

SENATOR RAIKES: And Metro has been a growing community college. [LB973]

SENATOR ASHFORD: So it's both the growth and the adjustment in the growth factor formula. [LB973]

SENATOR RAIKES: Um-hum. [LB973]

SENATOR ASHFORD: So if there's a "formulistic" change and an actual head count change? [LB973]

SENATOR RAIKES: Yeah. [LB973]

SENATOR ASHFORD: Okay. I think I... [LB973]

SENATOR KOPPLIN: Senator Avery. [LB973]

SENATOR AVERY: One more time, Mr. Chair, thank you. Back to Section 2223(1)(b). I like the idea that sudden changes, sudden decline in need would not require an immediate adjustment and you kind of protect those schools that might experience such a sudden drop. So that I like. Now, when you go back down here to 2223(2)(b) and (c), the amendment would strike "full-time equivalent student" and replace it with a "three-year average of reimbursable educational units." I know what a full-time equivalent student is. I had contact with them. They're physical beings. What in the heck is a "reimbursable educational unit?" Are we going to start referring to students as REUs? [LB973]

SENATOR RAIKES: I think that's a great idea: REU one, REU two. Senator, it is a way to, in effect, distinguish one student from another based upon the educational services and the cost of the educational services being delivered to that student. So for example,

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if you're teaching a student political science, assuming there is some political science, versus if you're teaching a student something real, like how to feed cattle. (Laughter) [LB973]

SENATOR AVERY: Anybody can do that. [LB973]

SENATOR RAIKES: This is degenerating, isn't it? [LB973]

SENATOR ASHFORD: It's not bad. [LB973]

SENATOR RAIKES: And suppose there were additional resources required for one of those versus the other, that you had to have laboratory time or some additional expense, or I think a very real situation that's come up, if you have students that may be developmentally behind some way or another and you're going to try to pick up that service as a community college area. Then there would be a student that you're serving that was in that category, versus a student that wasn't in that category, there would be additional resources required. So this is simply a way. It's not a new way. It's been around in community college funding formulas. It's a way to distinguish, well, okay, if you're serving these students, they require some extra funding, as compared to students that don't have these characteristics. [LB973]

SENATOR AVERY: And who does that calculation? [LB973]

SENATOR RAIKES: I think initially, the way it's been done in the past, that information is provided by the community college areas themselves. [LB973]

SENATOR AVERY: I don't want to sound too negative here, but that's a pretty important calculation to be left up to people who have something to gain from calculating that, right? [LB973]

SENATOR RAIKES: Well, let's make sure first I'm right in that that's the way it's done. But then certainly your concern is a real one that we ought to make sure that that is done at least comparably among the community college areas. [LB973]

SENATOR AVERY: And in full light. [LB973]

SENATOR RAIKES: Um-hum. [LB973]

SENATOR AVERY: Right. I'll stop. [LB973]

SENATOR ASHFORD: Just one last question. [LB973]

SENATOR KOPPLIN: Senator Ashford. [LB973]

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SENATOR ASHFORD: But just so I fully grasp this. What we did last year was significant for a variety of reasons, but one of the reasons it's significant is that it's equalization-based so that we're striving for a fair and equitable system. Now, and as we go forward from year to year, other than what the Legislature may do to change factors in the formula, which it may do or fund more or less of the needs through state aid, it will automatically...this will go forward without further...we don't have to read... [LB973]

SENATOR RAIKES: Well, it's a very good questions because this is... [LB973]

SENATOR ASHFORD: Different. [LB973]

SENATOR RAIKES: It is different, and there is a specific appropriation the Legislature makes. [LB973]

SENATOR ASHFORD: Right, and that's what makes it...it isn't like the school aid formula K-12, right? [LB973]

SENATOR RAIKES: It isn't. [LB973]

SENATOR ASHFORD: And that to some extent gets at Senator Avery's point about the difference, even though K-12 has access to property tax base as well. But it is not as good a deal maybe, I don't know. That's not the right way to say it. I mean you don't have this automatic... [LB973]

SENATOR RAIKES: Well, yes and no, but as Senator Avery points out, community colleges do have access to property tax resources. And so suppose the state decides for whatever reason we're going to cut... [LB973]

SENATOR ASHFORD: Right. [LB973]

SENATOR RAIKES: ...the funding... [LB973]

SENATOR ASHFORD: By \$10 million. [LB973]

SENATOR RAIKES: Ten million or we'll cut it in half. [LB973]

SENATOR ASHFORD: Right. [LB973]

SENATOR RAIKES: All right. [LB973]

SENATOR ASHFORD: That would be more. [LB973]

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SENATOR RAIKES: What the Legislature understands using this formula is that doing so does in fact reduce the state obligation to community colleges, but it increases the exposure of property taxpayers, too. [LB973]

SENATOR ASHFORD: Which is not the case in the K-12 formula. It doesn't work that way. You would have to make a...if you cut it by \$40 million, that \$40 million would have to be made up just dollar for dollar by property tax. [LB973]

SENATOR RAIKES: Another way to say that same thing, and I think you're right, but another way to say the same thing is that in the K-12 situation, you change the formula. And in fact, as at least some of you old timers will remember, that's exactly what we did when we didn't have any money. We, as a state, didn't have the money to pay state aid to schools. We made changes in the formula. We added a temporary aid adjustment, we reduced the basic allowable growth rate, we did those sorts of things so that in... [LB973]

SENATOR ASHFORD: But other than that, it continued. I mean, you made those changes but... [LB973]

SENATOR RAIKES: It continued but it continued in a very controlled fashion. We made the changes that we needed to make in order for the funding amount to match what we had available to fund. [LB973]

SENATOR ASHFORD: But you wouldn't necessarily do it that way here. [LB973]

SENATOR RAIKES: No, you wouldn't, but still the balance between...I mean, there are still, even in this, there are a number of levers to work. One of the levers is the state appropriation, and that would drive the local effort rate. But in addition, you have the growth rate you used, you have the needs calculation you use, and it's not impossible that you could say, well, those things need to be changed. [LB973]

SENATOR KOPPLIN: Other questions? Seeing none, thank you. And we will move to the proponents. [LB973]

DENNIS BAACK: Senator Kopplin and members of the Education Committee, I think I am breaking the basic rule of the Education Committee. I thought the rule was that just Senator Raikes's bills couldn't have any proponents. I didn't know it was all of them (laugh). But we...for the record, my name is Dennis Baack, B-a-a-c-k. I'm the executive director of the Nebraska Community College Association, here to testify in support of LB973. We have been working very closely with Senator Raikes and his staff. The research analyst, Mr. Blomstedt, has been at many of our meetings of the community colleges. Senator Raikes has attended several of them and we've been working with

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him. As we got into this formula and into the new formula, we found some things that didn't work very well and just were a little bit confusing for people, and I think Senator Raikes has done a good job of explaining those to you. And the things that we noticed in the formula that we were struggling with are all addressed in this bill. So we, as of...I will tell you that my NCCA board, the board that I work for, has not taken a position on this because we only got the models for this and stuff last week. They've not had a chance to review it yet. But my business officers, all my business officers and all my presidents were together last week and they are comfortable with what we're doing for this coming year. They feel okay with that and they think that we've addressed all of the issues that we had with the way that the formula went into place. Probably not...we can't say that same thing about into the future and what's going to happen in the next biennium and what's going to happen from the future years with this formula. We're in the process of modeling that right now. All the business officers are modeling that right now and trying to look at what other kinds of things we may have to look at into the future if we need to make some changes. One of the things that we've been really adamant about and one of the things that we really need to do is we need to make sure that we emphasize the technical education that we do in community colleges. That is our niche in higher education, and we know that. And training and stuff for business and industry, that's our strength in what we do and we want to make sure that anything we're doing in the formula and stuff continues to emphasize that technical education because that's going to be important in the future for us. One of the other things that we're going to be looking at and where my instructional officers are looking at right now is working on what we do in developmental and foundations education. And that was a part of our role and mission that was assigned to the community colleges in the early '90s, saying that we would take over that role for all of higher education, do all the foundation remedial education. We have done that. There was never any funding for that, and it's very expensive to do that, the foundation developmental education. A lot of that education takes place one-on-one, and it's something that's absolutely necessary. Because one of the things we can show is that those students who get that kind of one-on-one attention and get those developmental courses and the foundations right, they have a better chance of success than the ones that do not. So it's something that we have to do. We're going to be trying to put something in the definition talking about the future as to how we're going to deal with those developmental and remedial courses that we do. So those are a couple of things we're looking at. The out-year calculations, so far I've not seen any of the models yet, but I've just with a basic understanding of it. Some of the things that we were shooting for are going to come to fruition. I think we're going to get the amount of state aid per student across the state in a much smaller range so that they'll be closer together as to how much each entity gets as far as state aid per student. And the levy rates are in a very short range right now, they're very compact range. And that brings me to one of the questions that you were asking, Senator Ashford. One of the things that this formula does is it really allows each of the colleges to have access to the resources they need to run their college. [LB973]

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SENATOR ASHFORD: Well, yeah. [LB973]

DENNIS BAACK: And if the state decides that they're going to cut...that was a pretty drastic cut he gave us, 50 percent but, you know... [LB973]

SENATOR ASHFORD: It could happen. [LB973]

DENNIS BAACK: Yeah, that happens. If that's going to happen, what happens is then they have access to the resources through either tuition or through property tax. And what we'll be able to do with Appropriations Committee is when they make a preliminary estimate of what their appropriation is going to be for the next year, we will be able to tell them what local effort rate that creates across the state. And in all actuality, the Legislature will be setting the rate for community colleges every time they appropriate funds because that's what will set that local effort rate. Now, there is some flexibility in there. We have the ability to go 20 percent below that or 15 percent above that, you know, for some flexibility for the areas. But we've, you know...those are the kind of things...that's the good feature of the formula, that we'll still have access to the resources. But as you all know and as you've dealt with over the years, property tax isn't the best and the tax that people like the most. So you know, we're going to certainly try to keep that state aid level up there so we don't raise that property tax higher. But that's how some of that is addressed. With that, I'll be happy to answer questions. [LB973]

SENATOR KOPPLIN: Okay. Are there questions for Dennis? Senator Ashford. [LB973]

SENATOR ASHFORD: Yes, just one follow-up. [LB973]

DENNIS BAACK: Sure. [LB973]

SENATOR ASHFORD: So the point being, you can go 15 percent... [LB973]

DENNIS BAACK: Um-hum. [LB973]

SENATOR ASHFORD: ...above and 15 percent below, utilizing your local resources and not impact your state aid. [LB973]

DENNIS BAACK: Well, you do impact state aid, and one of the adjustments... [LB973]

SENATOR ASHFORD: Because you're spending more. [LB973]

DENNIS BAACK: Um-hum. [LB973]

SENATOR ASHFORD: So that goes into the needs calculation. Does that go across the board then or is that... [LB973]

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DENNIS BAACK: Um-hum, it does. But one of things that we're doing in this, one of the adjustments that Senator Raikes is making in the new bill that you've got is really the old formula was incentivized to the point where you want to put it at the top level every time. [LB973]

SENATOR ASHFORD: Right. [LB973]

DENNIS BAACK: Because you know, you just keep driving that up if you do that. Now we're going to take that incentive out by saying that you can only count your resources up to the LER. You can't count any of those things that you do above the LER. If you make that decision to do that locally, fine, but that's not going to impact your state aid. [LB973]

SENATOR ASHFORD: Either way, negatively or positively. [LB973]

DENNIS BAACK: No, no, not going to impact your state aid. You can utilize those dollars, but it's not going to impact your state aid. [LB973]

SENATOR ASHFORD: So it's not that some of the...I mean, the push-back we get from local government...well, you know, look our property taxes are going up. If this formula works as it should and as we think about it going forward, that really is a function of the local governing board. I mean it is a function of state aid. [LB973]

DENNIS BAACK: Right. [LB973]

SENATOR ASHFORD: But if state aid remains relatively constant and increases at a relatively basic way, then the decisions that would increase the property tax from 6 to 7, for example, would be a local decision. [LB973]

DENNIS BAACK: That local effort rate should stay pretty much at the same level if, you know, if there's some... [LB973]

SENATOR ASHFORD: Unless they want to do something that's... [LB973]

DENNIS BAACK: Unless they want to do something over and above that. [LB973]

SENATOR ASHFORD: And they're allowed to do it. [LB973]

DENNIS BAACK: And they are allowed to do that. [LB973]

SENATOR ASHFORD: Even beyond 15 percent. [LB973]

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DENNIS BAACK: No. They can't go over 15 percent above the LER. That's the maximum, that is the maximum. You asked a question earlier too, why does Metro see a big increase? That's their growth. That's basically because of their student growth. [LB973]

SENATOR ASHFORD: Well, I think what they were trying to demonstrate to me was that in the out-years, their property tax was going to be significantly higher in order to maintain the same. [LB973]

DENNIS BAACK: Well, it depends on...I mean, if you don't do the things that we're doing here in LB973 and you left exactly what we did last year in place, that's absolutely going to happen because then you've still not got the incentives for people to tax at a higher level and they're going to do that. And then it's going to go up higher, and then the LER is going to go up significantly as you work your way through because it's going to take more money to meet those basic needs, and if the state doesn't increase their level of support, that LER is going to go up. But the things that we're doing here really slow that growth rate down very dramatically, very dramatically. [LB973]

SENATOR KOPPLIN: Other questions? Senator Adams. [LB973]

SENATOR ADAMS: So let me just double-check, the reimbursable education units... [LB973]

DENNIS BAACK: Um-hum. [LB973]

SENATOR ADAMS: ...I'm assuming you're in favor of that and because it better reflects what it is that a community college, particularly in areas of developmental ed and technical ed, are going to be doing? [LB973]

DENNIS BAACK: Well, right now the reimbursable educational units do not reflect the developmental stuff that we do or, you know, those kind of...they don't effect that yet because those aren't included in this. We don't have any categories for those developmental courses. We're looking at that for the future, of possibly putting some courses in that. But we don't do that right. But we think that one of the things we want to do is try to emphasize technical education, and those REUs do that by the weighting of the courses. And the way they do that is this: An academic transfer kind of course, an English course, a political science course, a history course, those kind of courses, are weighted at 1.0. You get a count of 1.0 for those. Then there's the middle course, the middle technical courses. They require maybe some labs and some other things to go, those are weighted at 1.5, and then you get into heavy vocational courses. Those are double weighted. Those are weighted at 2.0. And that's how we start to put some emphasis on technical education. Whether the REUs is enough emphasis on technical education is something we're still assessing and whether it's the right way to emphasize

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it, we're still assessing that. But at least it addresses that issue to a certain extent, and to answer your question, yeah, each of the colleges does submit their REUs to us, but those REUs are governed by our...we have a REU audit committee, it's called. And that audit committee is made up of the six instructional officers for the community colleges and the six business officers for the community colleges. The instructional officers go through the whole master course list every single year. In detail, they go through that whole master course list and make sure that all of the colleges are counting the same kind of courses the same. If it's a 1.0 course at Metro, it's a 1.0 course at Western.
[LB973]

SENATOR AVERY: Fully transparent. [LB973]

DENNIS BAACK: Right. Oh, yeah, and it's wide open and then they do the same thing. And then what happens is is that that audit committee then will...each of the colleges then is individually audited by an auditing firm. They do a financial audit, plus they do an FTE-REU audit, and that audit then verifies that what they're reporting as their REUs are correct. And we do find variations in those weightings and stuff across the state, then we adjust those. Each year that committee meets and we adjust those to make sure that we're doing things the same across the state. So that is... [LB973]

SENATOR KOPPLIN: Okay. Any other questions? [LB973]

SENATOR ASHFORD: See, I don't understand that. That's what I don't understand.
[LB973]

SENATOR KOPPLIN: Senator Adams. [LB973]

SENATOR ADAMS: Along that same line, if we can back up to the other change, and I think Senator Avery brought it up. So we have a base of zero and under this we're going to look at a three-year average growth rate. What if we do see a three-year decrease? I mean, this formula doesn't take that into account. How would you respond to that reality down the road in future changes in the formula? [LB973]

DENNIS BAACK: Well, I think it's something that we have to consider as possibly changing that zero number. I mean, it seems to me that, you know, when you go to a three-year average, you're taking out the spikes. That was our goal to try to take out the spikes, but if you're seeing a consistent pattern of going down, then at some point in time, you've got to address that going down. [LB973]

SENATOR ADAMS: But you can't perpetuate. We're not into TEEOSA. I wouldn't think it would be any different here in philosophy. [LB973]

DENNIS BAACK: Right, right. No, and that's something that we haven't...I mean, we're

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still looking at all of those kinds of factors because I still think that that's a factor that we have to look at. We can't just assume...you know, we shouldn't assume that they're going to just be held totally harmless if they continue to have losses. At some point in time, they're going to have to reassess what they're doing... [LB973]

SENATOR ADAMS: Right. [LB973]

DENNIS BAACK: ...and make some changes in their own organization to balance that out if they continue losing students. Now, the key to it is is that if you have a year...and that's what the three-year averaging does, if you have a year where you drop 4 percent...and that does happen sometimes in a community college. As you get into Western Community College, that's not that many students, you know, total number of students drop. Last year they dropped about 11 percent and, you know, they were just a down enrollment. This year they're up 15. But one of the reasons they're up 15 is because they opened a brand new dormitory and it filled up just like that. There was a pent-up demand for a dormitory on that campus and it filled up immediately, plus they filled up all their old space. So those kinds of things happen and what happens internally in the formula when that happens is you're getting to count you didn't get any loss for the 11 percent you went down and you went up 15 percent from the 11 percent down base that you had, you get to count it all. And then it spikes the formula and then a whole bunch of aid goes to that college when they don't really need it because they've only had real growth of 4. [LB973]

SENATOR ADAMS: Um-hum. [LB973]

DENNIS BAACK: They didn't have growth of 15, they only had real growth of 4 because they were down 11 and up 15. So we looked at various ways of dealing with that and one of the things we looked at was real growth and saying, okay, if you went down 11 and up 15, you only get to count 4 or whatever it was. That got it a lot more complicated and a three-year average does kind of the same kind of thing and just takes those spikes out of it. But I don't think that we should preclude the idea that a negative three years in a row shouldn't be addressed by the formula. [LB973]

SENATOR ADAMS: Okay. [LB973]

SENATOR AVERY: What, what...I'm sorry to keep... [LB973]

SENATOR ADAMS: May I ask? [LB973]

SENATOR KOPPLIN: Senator Adams, go ahead. [LB973]

SENATOR ADAMS: If we're looking at a equalization distribution formula, I think I heard you a little while ago say that the property tax rates for our community colleges are now

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bunching up a bit better. [LB973]

DENNIS BAACK: Oh, yeah. [LB973]

SENATOR ADAMS: How are we doing on tuition comparability? [LB973]

DENNIS BAACK: Tuition comparability has always been pretty good anyway. They've all been very, very close. I think the last ones that I saw were within, I think, from the highest to the lowest, there isn't more than a \$4 per credit hour... [LB973]

SENATOR ADAMS: Okay. [LB973]

DENNIS BAACK: And that's tuition and fees together, because some colleges don't use fees, they just use tuition, some use tuition and fees. But if you look at those factors, it's only about \$4 difference from the top to the bottom. So we're not in a...there's not a huge difference in the tuition rates. [LB973]

SENATOR ADAMS: Thank you. [LB973]

SENATOR KOPPLIN: Senator Ashford, did you have a question? [LB973]

SENATOR ASHFORD: No. Sorry, Senator. [LB973]

SENATOR KOPPLIN: Senator Avery. [LB973]

SENATOR AVERY: Going back to that growth rate not being less than zero, I think you're right, a three-year average makes more sense. But if you do have, over that period of three years, a net loss of students, at what point would you...if you had to accept a number, if we were to amend this to put a number in there, what do you think would be reasonable? [LB973]

DENNIS BAACK: I don't know. That's what we're kind of looking at now. I think we need to be thinking about that and as we do these models, I think we'll model some of those with some losses in to see what kind of a problem that creates for a college, because if you only lose like 1 percent a year or something, you're not changing your cost much when you lose 1 percent of students, you don't change much when you do that. Your costs pretty much stay the same because the problem is that if you lost 30 students, very rarely are they all in the same program where you can drop a program or something, you know. If that happens, that's fine, they can do that, but it doesn't happen very often that way. But I think it's one of those other things that we have to look at as we model it to see what number might be a reasonable number to say, you know, at some point you're going to have to take a reduction. I don't know what that number is yet. [LB973]

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SENATOR AVERY: That's why we have a research analysts, right? [LB973]

DENNIS BAACK: That's right. That's why you have those things. Yeah, and I will tell you he has done a wonderful job. He's done a lot of work on this, and he and Senator Raikes have both been very cooperative with us in working this out and trying to make sure that this thing works properly. So they do deserve a lot of credit for that. [LB973]

SENATOR KOPPLIN: Any other questions for Dennis? Thank you, sir. [LB973]

DENNIS BAACK: Um-hum. [LB973]

SENATOR KOPPLIN: Next proponent. Are there any opponents? [LB973]

SENATOR ASHFORD: I may have to get up there and... [LB973]

SENATOR AVERY: This is a historic day. [LB973]

SENATOR KOPPLIN: Neutral testimony? [LB973]

CARNA PFEIL: Senators, I'm Carna Pfeil, P-f-e-i-l, and I'm the associate director for the Coordinating Commission, and we are testifying neutral just to let you know that as we are mentioned in there, we gather the data and then send that on to the Department of Revenue. The statute has changed, and we now all we do is just take in the information and sent it on. So I guess our suggestion is that it probably would be just as efficient if that information went directly to the Department of Revenue. We won't be verifying the information. That's what we did this past year, but the way the new bill is written, we won't be verifying anything, so it will just be a matter of taking in information and transferring on and probably the less bureaucratic is to just send it directly to the Department of Revenue. So unless you have any questions... [LB973]

SENATOR KOPPLIN: Are there questions? Senator Avery. [LB973]

SENATOR AVERY: Does this mean that the data don't get verified? [LB973]

CARNA PFEIL: That is correct. [LB973]

SENATOR AVERY: Would it be your suggestion that you be given this data and the authority to verify? [LB973]

CARNA PFEIL: If you think that the information should be verified. Right now the information comes in from the institutions, the community colleges, and then it is...we also would receive the audited financial statements. [LB973]

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SENATOR AVERY: Um-hum. [LB973]

CARNA PFEIL: I will tell you that last year we looked at those audited financial statements and there were some difficulties with the audited financial statements. All of those audited financial statements are done by outside auditors. They audit not only the financial, but they audit the REUs also, and those are what you were talking about. We did find some discrepancies in those. But at this point there won't be anybody that will be reviewing that. [LB973]

SENATOR KOPPLIN: Okay. Other questions? Thank you. [LB973]

CARNA PFEIL: Thank you. [LB973]

SENATOR KOPPLIN: Is there other neutral testimony? Senator Raikes, would you like to close? [LB973]

SENATOR RAIKES: Thank you, Senator. A comment just quickly on the testimony by Carna Pfeil of the Coordinator Commission, a couple of things. The commission was involved in verifying that data. There was some concern expressed by the community college as to the need for that verification. As she mentioned, I think, it is audited data, and so it's not like it's without scrutiny. It is scrutinized. We made the change in this bill to alleviate them, if you will, of the job of verifying the data. Although I would strongly suggest, counter to her suggestion, that they be kept in the loop. For one thing, their may be a point at some later time where they are called upon to do...maybe not the verification they did before, but some type of verification. The other thing I would remind you, one of the things the Coordinating Commission does is analysis of data, cost and other type data from postsecondary institutions, and this basically puts them in the front line to receive information that they could in fact use in some of their analysis. So I think it's important and appropriate that they be kept in the loop and that they do in fact receive this information from the areas. [LB973]

SENATOR KOPPLIN: Questions for Senator Raikes? Seeing none, that will close the hearing on LB973. [LB973]

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Disposition of Bills:

LB973 - Advanced to General File, as amended.

LB1013 - Held in committee.

Chairperson

Committee Clerk